

DPD-5121-59

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REPLY TO:

Auditor General
Comptroller, USAF
Eastern District
Liaison Office
P.O. Box 8155, S.W. Station
Washington, D. C.

29 July 1959

SUBJECT: Contract Audit Closing Statement
CFFC Contract AF 33(600)-35906, dated 28 August 1957
HRB-Singer, Inc. (Formerly Haller, Raymond, and Brown, Inc.)
State College, Pennsylvania

TO : Contracting Officer

REFS : (a) DPD-2965-59 dtd. 4 May 1959
(b) DPD-3268-59 dtd. 12 May 1959
(c) DPD-2010-59 dtd. 15 May 1959
(d) DPD-3382-59 dtd. 18 May 1959
(e) Telecon with H. L. on 17 June 1959

1. Contract Data and Compensation Provisions:

a. See Interim Audit Report dated 11 December 1958. By Amendment No. 9 performance was extended to 31 March 1959.

b. A summary of the status of costs and payments to date are presented in Exhibit A. Allowable costs were determined in accordance with Part 2, Sec. XV., Armed Services Procurement Regulation and other terms of the contract.

c. Overhead rates accepted by the auditor are as follows:

| | <u>7/1/57-</u> <u>12/31/57</u> | <u>Year</u> <u>1958</u> | <u>1/1/59-</u> <u>3/31/59</u> |
|--|-----------------------------------|----------------------------|----------------------------------|
| Engineering Overhead: | | | |
| Per Amendment No. 8 | | | |
| Contractor's rate originally requested | | | |
| Auditor's accepted rate | | | |

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| | <u>7/1/57-</u> <u>12/31/57</u> | <u>Year</u> <u>1958</u> | <u>1/1/59-</u> <u>3/31/59</u> |
|---|-----------------------------------|----------------------------|----------------------------------|
| General and Administrative Expense: Per Amendment No. 8 Contractor's rate originally requested Auditor's accepted rate | | | |
| Corporate Expense | | | |

Explanatory Notes:

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- (A) Rate previously negotiated with the Defense Dept. This rate was inadvertently omitted from Amendment No. 8 per Ref. (e).
- (B) Based upon Direct Engineering Labor Hours.
- (C) Based upon Direct Engineering Labor Dollars.
- (D) Based upon Total Manufacturing Costs exclusive of G & A expense.
- (E) Based upon Total Negotiated Manufacturing costs exclusive of G & A and corporate expense.
- (F) Based upon Total Manufacturing Costs exclusive of G & A and Corporate Expense.
- (G) After voluntary exclusion of inadmissible costs of Interest Expense, Entertainment and Contributions.

Details concerning the computation of these rates are contained in the auditor's working papers and are available upon request of the Contracting Officer.

The contractor has agreed to the auditor's accepted rates only for purposes of finalization of this contract and states that it does not agree to the disallowance of any specific elements of cost other than those voluntarily excluded (referred to in Note (G) above) which will become a precedent in subsequent overhead rate negotiations. 1958 and 1959 overhead rates have not yet been negotiated with the Defense Dept.

d. Although Amendment No. 7 of the contract specifically allows Company-Sponsored Research and Development costs to the extent approved by the Contracting Officer the contractor has not claimed such costs for the period 1 July thru 31 December 1957, since such costs were disallowed in Defense Dept. negotiations wherein the acceptable rates stated in Amendment No. 8 were determined.

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For the year 1958 the amount of Company-Sponsored Research costs

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[REDACTED]
[REDACTED] subject to the approval of the Contracting Officer as to the applicability of the individual projects to military products and/or services. Inclosure No. 8 is a copy of the contractor's letter to the Army Contracting Officer requesting his approval for allowability under Army contracts. However, at the present time the contractor has not as yet received a reply to this request.

There were no such Related Research costs included in overhead rates accepted by the auditor for the period 1 January thru 31 March 1959, since no costs were booked.

2. Unclaimed Wages, Unclaimed Deposits, Unpresented Checks, Potential Refunds and Credits:

There are no known unclaimed wages, unclaimed deposits, unpresented checks, potential refunds or credits. The Contractor's assignment of Refunds, Rebates and Credits is included as Inclosure No. 4.

3. General Accounting Office Audit:

The Contractor states that they have never been audited by the General Accounting Office. Therefore, we know of no unresolved exceptions or inquiries.

4. Report of Invention, Subcontracts and Royalties:

In accordance with Ref. (c) this report, dated 13 October 1958, was never received by Headquarters. We examined an executed copy thereof at the contractor's plant and are attaching two thermofax copies as Inclosure No. 7.

5. Government Property:

The auditor recommends acceptance of the contractor's residual inventory (Inclosure No. 6) subject to the qualification mentioned in Par. 7 concerning GPP. The only property acquired under this contract was electrical components of the expendable type and we know of no GPP. During our audit we obtained an Inventory Certificate from the contractor (Inclosure No. 5).

In accordance with Part I, Par. (b) of the contract thirty eight (38) filter boards and nineteen (19) slicer boards were to be delivered by the contractor. According to the contractor none were delivered. As per Refs. (b), (c) and (d) these were never received (although the quantity of filter boards

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should be thirty eight (38), not twenty six (26). All of these units are included in the contractor's residual inventory. In addition, the inventory also contains various electrical parts for which the contractor has stated a recommended disposition, subject to the approval of the Contracting Officer. If the offer of \$49.20 for the one-hundred sixty four (164) 12 AV7 tubes is acceptable to the Contracting Officer then the contractor will either tender a check in payment or permit the Disbursing Officer to offset this amount against the balance of \$3,848.22 due him (see Exhibit A).

6. Other Comments:

On 1 June 1959 the corporation changed its name from Haller, Raymond, and Brown, Inc. to HRB-Singer, Inc. Also, on the same date the method of accounting was changed from a cash basis to an accrual basis.

7. Unresolved Data:

Findings in this statement are subject to the satisfactory receipt and acceptance of the contract items and the determination by the Contracting Officer that there is no accountable GPP.

W. H. GROSS
Audit Liaison Officer
Eastern District
Auditor General

- 2 Attachments: 1. Ex. A, Status of Contr. Costs and Payts. to Date
2. Ex. B, Summary of Costs Recon. for Accept.

- 9 Inclosures: 1. Compl. Vou. (Bu. Vou. No. 17R):
SF 1034 (orig & 8)
SF 1035 (orig & 5)
2. Contr. Cum Cl. & Recon. (orig & 7)
3. Contr. Release (orig & 8)
4. Contr. Asg. of Refunds, Rebates & Credits (orig & 8)
5. Invy. Ctf. (orig)
6. Proj. 137 Invy (orig)
7. Contr. Report of Inventions, Subcontrs & Royalties (2 cys)
8. Contr. Letr. to USASA, Ft. Monmouth, N.J. dtd. 11 Feb. 1959 re:
1958 Related Research (Company-Sponsored) costs (1 cy)
9. Program of Related Research (Company-Sponsored) for 1959
(worksheet)